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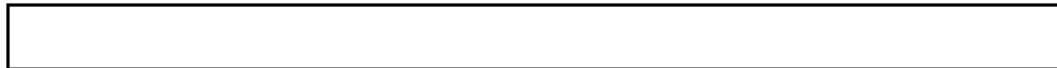
WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS



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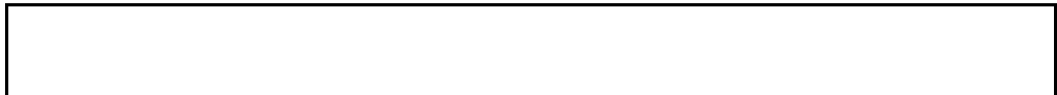
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Iceland's Labor Negotiations May Stir Up Coalition Rift

Contract negotiations between management and labor could develop into a major headache for Iceland's coalition government.

2

In a special meeting called to coordinate labor demands prior to a third round of labor-management talks, the Icelandic Federation of Labor laid out a 14-point list of demands. The package includes import restrictions, government spending curbs, and elimination of farm subsidies. Labor has threatened to pursue a 30 percent wage increase if employers and the government do not accept the package.

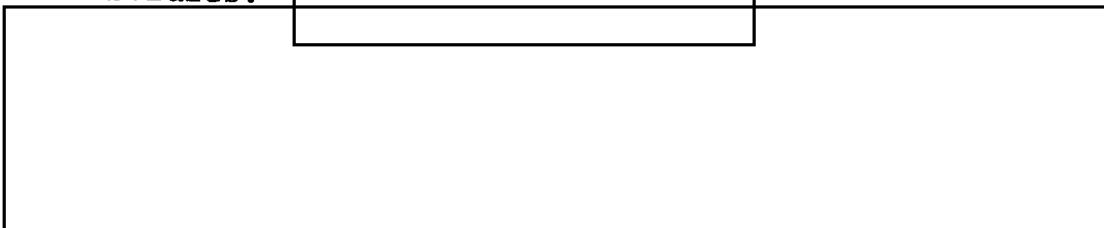
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Despite the seemingly harsh demands, labor's mood so far has been conciliatory. Labor is aware that a repeat of the inflationary wage settlements of 1971 and 1974 would be disastrous for the economy. In contrast with an earlier round of negotiations which almost ended in a general strike, no walkout threats have been issued.

1+2

The negotiations could strain the Independence-Progressive Party coalition. The two parties are old and bitter rivals and agreed to form a government only because of a need for immediate economic remedies. Although it is not closely allied with labor, the Independence Party does contain a strong labor element and is likely to be sympathetic to labor's demands. The Progressive Party, however, has no ties to labor and has been traditionally identified with agriculture and the cooperative movement. The Progressives, therefore, will be less amenable to concessions, particularly the labor demand for an end to agricultural subsidies.

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Draft Constitution Moves Azores Closer to Self-Government

The Azores have moved a step closer to autonomy with the completion of a draft constitution which provides for a marked degree of self-government.

The draft document--which will have to be approved by the Portuguese government--calls for a modified parliamentary system consisting of a locally elected regional assembly and a regional administrative council. If approved, it will give the islands control of their own political, administrative and economic life, as well as a say in foreign affairs.

Since last summer, long-standing Azorean hopes for greater autonomy have been orchestrated into a full-blown independence movement by a group called the Azorean Liberation Front. Sentiment for independence among the conservative Azoreans and the fortunes of the liberation front grew in direct proportion to Communist influence in Portugal.

Recent victories over the Communists and the far left on the mainland, however, have robbed the independence movement of most of its momentum. Should the pendulum swing too far to the right, however, or the Communists begin to reassert themselves, this trend in the Azores could again be reversed.

Some islanders still believe independence would insulate the Azores against future political shifts in Lisbon or the spread of economic disorder from the mainland, but most Azorean leaders reportedly feel increased autonomy is the wiser course for the time being.

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3 | This approach also has certain obvious advantages over independence at this stage:

--Until the new constitution is implemented, the islands will lack the necessary governmental and administrative structures to support independence.

3 | --Scarce resources and talent do not have to be expended on defense and foreign affairs establishments.

--Preferential treatment will continue to be accorded to Azorean products in the Portuguese market.

--Portuguese government subsidies will continue.

--Strong cultural and historical ties with the mainland will not be jeopardized.

4 | Since Lisbon has already acquiesced in a number of the principal features of the new constitution, its approval without substantial change seems likely. A major stumbling block to its implementation, however, may arise from traditional inter-island rivalries, which are already reflected in the document. 2 | With no capital designated and with constitutional provisions stipulating that government departments shall be scattered over the three largest islands, administering a unified regional government will be difficult, if not impossible.

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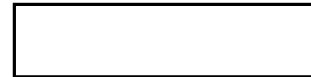
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EC Relations with Greece and Turkey

The EC is making good progress on Greek accession but faces new difficulties in its relationship with Turkey. | 1, 2

A favorable EC Commission opinion on Greek membership is virtually assured, even though some delay is being caused by the number of Commission officials who want to put forth their ideas on the philosophy underlying the expansion of the EC. The technical work is going smoothly. A favorable decision in principle on Greek membership seems likely next March or April. | 1

The next step will be to draw up a negotiating mandate. If the Commission plus all nine member states participate in the negotiations, as is likely, the mandate can be fairly general and could be ready in September. Athens is so eager for an accord that the Greeks have indicated they may not even cause problems in the touchy area of meeting EC requirements on farm trade. Negotiations will nevertheless take at least a year, and must be followed by ratification of the ten member-state parliaments. | 1, 3

Progress toward Greek accession will accentuate EC problems with Turkey, which is concerned about what precise political and economic advantages Greece will derive from accession. The Turks are already worried by an erosion of Turkey's benefits under its association agreement with the EC, and a group of business men will visit Brussels next week to discuss the problem. In the first six months of 1975, Turkey's exports to the EC fell 40 percent while imports from the EC rose 45 percent. The remittances of Turks working in Europe have fallen about seven percent this year. | 2, 3

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2,3 | The issue of Turkish workers in Europe is likely to pose an especially difficult problem. Ankara believes the ten-year period under the association agreement for a gradual granting of free movement of Turkish workers to the community must be reduced. It wants the Turks to be given the same rights as nationals of the EC nine in the shortest possible time. The Greeks will have these rights with accession.

3 | Some Turks already question whether Ankara might gain more economic and political advantages by closer relations with Middle Eastern countries rather than with the EC.

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UNESCO To Confront Zionism as Racism Issue

In the opening salvo of their campaign to gain further legitimacy for last month's condemnation of Zionism as racism in the UN General Assembly, the Palestine Liberation Organization (PLO) and its supporters will raise the issue next week in a meeting sponsored by the UN Educational, Scientific and Cultural Organization (UNESCO).

Next week's meeting, part of a broader UNESCO interest in racism, will attempt to draw up a draft declaration of principles to govern reporting in the mass media of certain sensitive issues including racism. Another UNESCO-hosted meeting in January will draft a declaration focusing on socio-economic factors that promote racism. Although declarations are not legally binding on UNESCO member states, both meetings will offer opportunities for extensive Arab propaganda campaigns.

The Arab strategy apparently has two steps. The aim is to gain some reference to the racism-Zionism theme in next week's document and then to use the January debate to obtain a fuller and more explicit treatment of the issue in the racism declaration.

Egypt's UNESCO representative and some black African members of the organization are making their usual attempts to head off the Arab move, but with little prospect of success. Although the black Africans would not be happy about new controversies in UNESCO that may reflect poorly on its director, the first black African to head a UN agency, the Africans are unlikely to buck determined Arab pressures.

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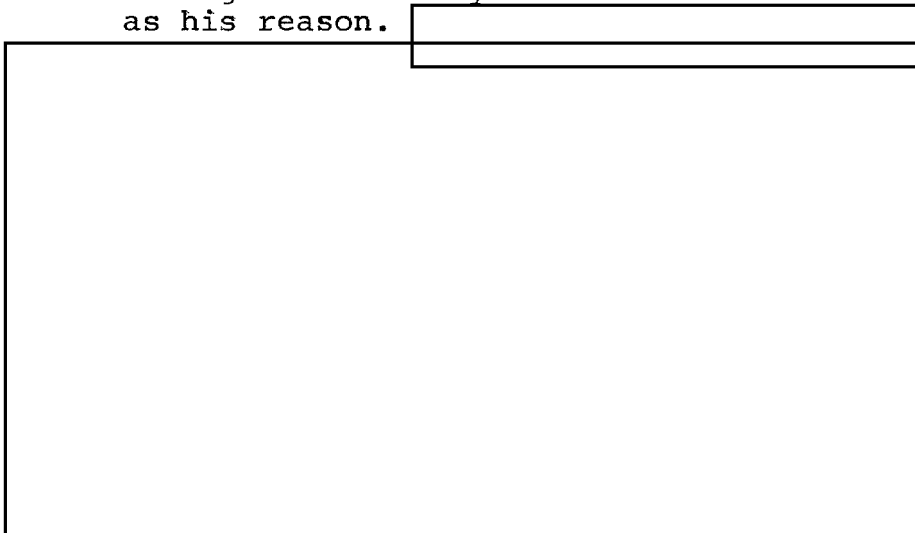
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UNESCO has probably lost more public and financial support because of past anti-Israeli actions than any other UN agency. Compounding its problems, the Agency's Director of Public Information resigned this week, specifically citing the Assembly's Zionism-racism resolution as his reason.

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